



NEWS

Federal Communications Commission
445 12th Street, S.W.
Washington, D. C. 20554

News Media Information 202 / 418-0500
Internet: <http://www.fcc.gov>
TTY: 1-888-835-5322

This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.
See MCI v. FCC, 515 F.2d 385 (D.C. Circ 1974).

FOR IMMEDIATE RELEASE:
September 1, 2011

NEWS MEDIA CONTACT:
David Fiske (202) 418-0513
Email: david.fiske@fcc.gov

**FCC ANNOUNCES \$20 MILLION IN PROPOSED PENALTIES AGAINST COMPANIES
BELIEVED TO BE INVOLVED IN DECEPTIVE MARKETING OF
PREPAID CALLING CARDS**

*Customers from minority and low-income communities most affected; Millions of dollars lost in
alleged scams that allowed customers to use only a fraction of minutes they purchased*

(Washington, D.C.) – The Federal Communications Commission today proposed forfeitures totaling \$20 million from STi Telecom Inc. (formerly Epana Networks, Inc.), Lyca Tel, LLC, Touch-Tel USA, LLC and Locus Telecommunications, Inc. for apparently violating the Communications Act by using deceptive marketing practices to sell prepaid calling cards, scamming consumers out of millions of dollars, mostly from low-income and minority communities. The FCC is proposing \$5 million in forfeitures for each company.

Under Commission precedent, unfair and deceptive marketing is an unjust and unreasonable practice that violates section 201(b) of the Communications Act. In today's cases, the Commission found that the apparent violations were particularly egregious. Each of the companies involved had made claims that, with a card costing only a few dollars, buyers can make hundreds if not thousands of minutes of calls to foreign countries – when in fact, because of the multiple fees and surcharges assessed, they will be able to use only a fraction of those minutes. Moreover, the Commission found that the companies apparently did not clearly and conspicuously disclose the fees to consumers.

In one case, the FCC's investigation revealed that a consumer would have to make a single 13-hour long call in order to receive the hundreds of advertised minutes. If the consumer made more than one 13-hour call, then the consumer would begin to receive smaller and smaller fractions of the card value. In other cases, a card that purported to offer 1,000 minutes was exhausted after a single 60 minute call. And another card that was advertised for 400 minutes of talk time could be exhausted after a single 15 minute call. Over the past year, the companies named each marketed thousands of such prepaid calling cards to unwitting consumers, many of whom rely on prepaid calling cards to communicate with loved ones outside the U.S. As a result, consumers already struggling in a difficult economy were bilked out of millions of dollars.

FCC Enforcement Bureau Chief Michele Ellison said: "Every day, people – many of them from our most vulnerable communities – rely on prepaid calling cards to connect with friends and family around the world. The orders released today detail the misleading practices -- from illegible fine print to impossible-to-calculate fees – that some companies appear to use to sell their cards. We hope that these cases lead all prepaid card providers to reexamine their marketing practices to ensure that they are treating consumers fairly."

Because these enforcement actions reveal apparent widespread patterns of deceptive activity, the Commission today also released an Enforcement Advisory on this topic to alert consumers to be careful when choosing prepaid calling cards, and to warn companies that the FCC will continue to vigorously

pursue those companies that engage in deceptive marketing. The Advisory is available at http://transition.fcc.gov/eb/Public_Notices/DA-11-1494A1.html.

For further information, contact Richard A. Hindman at (202) 418-7320. Please direct media inquiries to David Fiske at (202) 418-0513. News and other information about the FCC is available at www.fcc.gov

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